

***CITY OF CARSON CITY***



***CARSON CITY, MICHIGAN***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2004***



**REHMANN ROBSON**

*Certified Public Accountants*

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Carson City</b>	County <b>Montcalm</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>8/13/04</b>	Date Accountant Report Submitted to State: <b>9/28/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

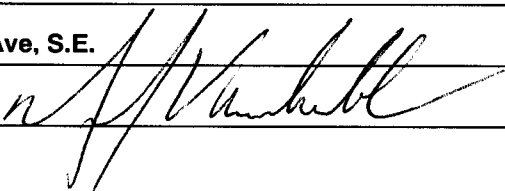
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>2330 East Paris Ave, S.E.</b>		City <b>Grand Rapids</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49546</b>	Date <b>9/28/04</b>

# CITY OF CARSON CITY

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**REHMANN ROBSON**

*Certified Public Accountants*

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## **INDEPENDENT AUDITORS' REPORT**

August 13, 2004

Honorable Mayor and Members of the City Council  
City of Carson City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carson City, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Carson City, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Carson City, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2004, on our consideration of the City of Carson City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

As described in Note 10, the City adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and GASB Interpretation 6 as of June 30, 2004. This results in a change to the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-10 and the schedules of funding progress and employer contributions on page 42 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Carson City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Rehmann Lobson*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**





## Management's Discussion and Analysis

As management of the City of Carson City, we offer readers of the City of Carson City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The City's commitment to public safety was supported by 28 % of governmental expenditures.
- The City obtained a note for \$300,000 to finance expansion of the Library.
- The City also reconstructed a portion of South Division Street.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Carson City's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Carson City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements can be found on pages 11-13 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Carson City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following three funds: general, major street, and library.

Data is combined into a single aggregated presentation for the other three governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-20 of this report.

***Proprietary funds.*** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer and Water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 24-25 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-41 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis as well as schedules of funding progress and employer contributions related to the City's pension plan which can be found on page 42 of this report.

Combining and individual fund statements and schedules can be found on pages 43-54 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Carson City, assets exceeded liabilities by \$6,838,450 at the close of the most recent fiscal year.

A significant portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

### City of Carson City Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current and other assets	\$1,809,220	\$1,144,112	\$2,953,332
Capital assets	<u>936,670</u>	<u>3,629,742</u>	<u>4,566,412</u>
Total assets	<u>2,745,890</u>	<u>4,773,854</u>	<u>7,519,744</u>
Long-term liabilities outstanding	350,986	-	350,986
Other liabilities	<u>292,156</u>	<u>38,152</u>	<u>330,308</u>
Total liabilities	<u>643,142</u>	<u>38,152</u>	<u>681,294</u>
Net assets:			
Invested in capital assets, net of related debt	629,053	3,629,742	4,258,795
Restricted	1,062,476	-	1,062,476
Unrestricted	<u>411,219</u>	<u>1,105,960</u>	<u>1,517,179</u>
Total net assets	<u><u>\$2,102,748</u></u>	<u><u>\$4,735,702</u></u>	<u><u>\$6,838,450</u></u>

Net assets of the City increased by \$285,037 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$141,128 was primarily the result of revenue from operations. The governmental activities increase in net assets of \$143,409 is primarily due to activities in the general fund.

### City of Carson City Changes in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$162,025	\$611,888	\$ 773,913
Operating grants and contributions	128,914	-	128,914
Capital grants and contributions	<u>29,682</u>	<u>-</u>	<u>29,682</u>
	320,621	611,888	932,509
General revenue:			
Property taxes	381,572	-	381,572
Other governmental sources	176,968	-	176,968
Other	<u>40,609</u>	<u>(17,164)</u>	<u>23,445</u>
Total revenue	<u>919,770</u>	<u>594,724</u>	<u>1,514,494</u>

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
Expenses:			
Legislative	\$ 65,456	\$ -	\$ 65,456
General government	125,231	-	125,231
Public safety	216,276	-	216,276
Public works	178,064	-	178,064
Culture and recreation	190,237	-	190,237
Interest	597	-	597
Sewer	-	203,924	203,924
Water	-	249,672	249,672
Total expenses	<u>775,861</u>	<u>453,596</u>	<u>1,229,457</u>
Increase in net assets	143,909	141,128	285,037
Net assets - beginning of year	<u>1,958,839</u>	<u>4,594,574</u>	<u>6,553,413</u>
Net assets - end of year	<u><b>\$2,102,748</b></u>	<u><b>\$4,735,702</b></u>	<u><b>\$6,838,450</b></u>

### **Governmental activities**

During the year the City continued its emphasis in public safety by investing \$216,276 or 28% of governmental activities expenses. Culture and recreation, which includes library operations was \$190,237 or 25% of governmental activities expenses while general government, public works and streets and interest on long-term debt made up the remaining 47% of governmental activities expenses.

**Business-type activities.** Business-type activities increased the City's net assets by \$141,128, accounting for 50 percent of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of approximately \$161,000. Key elements of this decrease are as follows:

- Salaries and wages for business-type activities increased by 13 percent, or roughly \$19,625, compared to the prior year. This is a result of increased hours worked on the water and sewer systems.

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,256,004, an increase of \$151,687 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$174,829 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 29 percent of total general fund expenditures.

The fund balance of the City's general fund decreased by \$7,329 during the current fiscal year.

The major street fund has a total fund balance of \$56,264, which decreased by \$70,360 during the year. This is due to significant road projects during the year.

The library fund has a total fund balance of \$781,202, which increased by \$197,926 during the year primarily due to proceeds of a note payable being received. The balance of this fund is restricted for use as defined by the City Council.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$711,940 and \$394,020, respectively. The sewer fund had an increase in net assets for the year of \$92,039, whereas the water fund had an increase of \$49,089. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

During the year, general fund revenues were higher than budgetary estimates and expenditures were higher, resulting in an actual increase in fund balance that exceeded the final amended budget amount by \$39,312.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$4,566,412 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, motor pool equipment, motor vehicles, infrastructure and construction in progress, machinery and equipment. Significant capital purchases during the year consisted primarily of infrastructure improvements.

**City of Carson City Capital Assets**  
(net of depreciation)

	<b>Governmental activities</b>	<b>Business- type activities</b>	<b>Total</b>
Land	\$158,996	\$ 14,475	\$ 173,471
Construction in progress	53,460	-	53,460
Building improvements	211,271	67,025	278,296
Furniture and equipment	146,035	-	146,035
Motor pool equipment	74,715	-	74,715
Motor vehicles	150,556	-	150,556
Infrastructure	141,637	-	141,637
Mains and equipment	-	3,548,242	3,548,242
	<u>-</u>	<u>3,548,242</u>	<u>3,548,242</u>
<b>Total</b>	<b><u>\$936,670</u></b>	<b><u>\$3,629,742</u></b>	<b><u>\$4,566,412</u></b>

Additional information on the City of Carson City capital assets can be found in Note 5 on pages 35-36 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$350,986 as follows:

	<b>Governmental activities</b>
Accrued employee benefits	\$ 43,369
Notes payable	<u>307,617</u>
<b>Total</b>	<b><u>\$350,986</u></b>

The City's total debt increased by \$275,172 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 8 on pages 39-40 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- Increased employee wages cost.
- Increased health insurance cost.
- Increased property tax revenue.
- No change in state revenue sharing payments due to state budget issues.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, 123 East Main St., Carson City, Michigan, 48811.



## **BASIC FINANCIAL STATEMENTS**

# CITY OF CARSON CITY

## STATEMENT OF NET ASSETS

JUNE 30, 2004

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Assets</b>			
Cash and cash equivalents	\$ 998,774	\$ 395,625	\$ 1,394,399
Investments	727,526	693,213	1,420,739
Accounts receivables	-	55,274	55,274
Special assessments receivable	9,248	-	9,248
Internal balances	15,065	-	15,065
Due from other governments	58,607	-	58,607
Capital assets, net			
Land	158,996	14,475	173,471
Construction in progress	53,460	-	53,460
Buildings, equipment and infrastructure, net	724,214	3,615,267	4,339,481
<b>Total assets</b>	<b>2,745,890</b>	<b>4,773,854</b>	<b>7,519,744</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	51,575	36,031	87,606
Deferred revenue	240,581	-	240,581
Customer deposits	-	2,121	2,121
Noncurrent liabilities:			
Due within one year	35,459	-	35,459
Due in more than one year	315,527	-	315,527
<b>Total liabilities</b>	<b>643,142</b>	<b>38,152</b>	<b>681,294</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	629,053	3,629,742	4,258,795
Restricted for:			
Library	781,202	-	781,202
Major streets	56,264	-	56,264
Local steets	220,491	-	220,491
Debt service	4,519	-	4,519
Unrestricted	411,219	1,105,960	1,517,179
<b>Total net assets</b>	<b>\$ 2,102,748</b>	<b>\$ 4,735,702</b>	<b>\$ 6,838,450</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 65,456	\$ -	\$ -	\$ -	\$ (65,456)
General government	125,231	39,797	5,496	29,682	(50,256)
Public safety	216,276	28,016	4,060	-	(184,200)
Public works	178,064	4,607	103,800	-	(69,657)
Culture and recreation	190,237	89,605	15,558	-	(85,074)
Interest on long-term debt	597	-	-	-	(597)
Total governmental activities	<u>775,861</u>	<u>162,025</u>	<u>128,914</u>	<u>29,682</u>	<u>(455,240)</u>
Business-type activities:					
Sewer	203,924	304,126	-	-	100,202
Water	249,672	307,762	-	-	58,090
Total business-type activities	<u>453,596</u>	<u>611,888</u>	<u>-</u>	<u>-</u>	<u>158,292</u>
Total primary government	<u>\$ 1,229,457</u>	<u>\$ 773,913</u>	<u>\$ 128,914</u>	<u>\$ 29,682</u>	<u>\$ (296,948)</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**STATEMENT OF ACTIVITIES (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (455,240)	\$ 158,292	\$ (296,948)
General revenues:			
Property taxes			
General operating	301,698	-	301,698
Library	79,874	-	79,874
State shared revenues	176,968	-	176,968
Interest earnings	9,017	14,428	23,445
Transfers	31,592	(31,592)	-
Total general revenues and transfers	599,149	(17,164)	581,985
Change in net assets	143,909	141,128	285,037
Net assets, beginning of year, as restated	1,958,839	4,594,574	6,553,413
Net assets, end of year	\$ 2,102,748	\$ 4,735,702	\$ 6,838,450

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	SPECIAL REVENUE FUNDS			NONMAJOR	TOTAL
	GENERAL	MAJOR STREET	LIBRARY	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 362,232	\$ 50,084	\$ 376,359	\$ 116,537	\$ 905,212
Investments	15,000	-	401,909	133,760	550,669
Assessment receivable	-	-	-	9,248	9,248
Due from other governments	45,958	6,646	3,417	2,586	58,607
Due from other funds	23,987	-	-	-	23,987
<b><u>TOTAL ASSETS</u></b>	<b>\$ 447,177</b>	<b>\$ 56,730</b>	<b>\$ 781,685</b>	<b>\$ 262,131</b>	<b>\$ 1,547,723</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
<b><u>LIABILITIES</u></b>					
Accounts payable and accrued liabilities	\$ 31,767	\$ 466	\$ 483	\$ 252	\$ 32,968
Due to other funds	-	-	-	8,922	8,922
Deferred revenue	240,581	-	-	9,248	249,829
<b><u>TOTAL LIABILITIES</u></b>	<b>272,348</b>	<b>466</b>	<b>483</b>	<b>18,422</b>	<b>291,719</b>
<b><u>FUND EQUITY</u></b>					
Fund balances:					
Unreserved:					
Undesignated	174,829	56,264	781,202	-	1,012,295
Undesignated reported in nonmajor:					
Special Revenue Funds				248,438	
Debt Service Funds				(4,729)	
<b><u>TOTAL FUND EQUITY</u></b>	<b>174,829</b>	<b>56,264</b>	<b>781,202</b>	<b>243,709</b>	<b>1,256,004</b>
<b><u>TOTAL LIABILITIES AND FUND EQUITY</u></b>	<b>\$ 447,177</b>	<b>\$ 56,730</b>	<b>\$ 781,685</b>	<b>\$ 262,131</b>	<b>\$ 1,547,723</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF CARSON CITY

## Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

JUNE 30, 2004

Fund balances - total governmental funds	\$ 1,256,004
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	936,670
Certain assets, such as special assessments receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the funds.	
Add - special assessments deferred revenue	9,248
Internal service funds are used by management to charge the costs of certain activities, such as centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in the governmental activities.	
Add - net assets of governmental activities accounted for in internal service funds	330,767
Deduct - Capital assets accounted for in internal service funds, net of accumulated depreciation	(78,711)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(43,369)
Deduct - notes payable	(307,617)
Deduct - accrued interest on bonds payable	(244)
Net assets of governmental activities	<u>\$ 2,102,748</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>SPECIAL REVENUE FUNDS</u>			NONMAJOR	TOTAL
	GENERAL	MAJOR STREET	LIBRARY	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes and special assessments	\$ 301,698	\$ -	\$ 79,874	\$ 9,523	\$ 391,095
State shared revenues	182,464	74,762	9,408	29,038	295,672
Fees and service charges	50,992	-	82,211	-	133,203
State grants	-	-	3,417	-	3,417
Contributions	44,022	-	2,733	-	46,755
Interest	5,428	1,424	7,394	3,252	17,498
Miscellaneous	6,472	-	-	-	6,472
<b>TOTAL REVENUES</b>	<b>591,076</b>	<b>76,186</b>	<b>185,037</b>	<b>41,813</b>	<b>894,112</b>
<b>EXPENDITURES</b>					
Current:					
General government	198,998	-	-	-	198,998
Public safety	207,320	-	-	-	207,320
Public works	158,991	8,859	-	8,065	175,915
Recreation and cultural	45,861	-	137,650	-	183,511
Other	735	-	-	-	735
Capital Outlay		129,107	149,461	23,000	301,568
Debt Service:					
Principal	-	-	-	5,347	5,347
Interest	-	-	-	623	623
<b>TOTAL EXPENDITURES</b>	<b>611,905</b>	<b>137,966</b>	<b>287,111</b>	<b>37,035</b>	<b>1,074,017</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,829)</b>	<b>(61,780)</b>	<b>(102,074)</b>	<b>4,778</b>	<b>(179,905)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Note proceeds	-	-	300,000	-	300,000
Transfers in	25,000	-	-	26,672	51,672
Transfers (out)	(11,500)	(8,580)	-	-	(20,080)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>13,500</b>	<b>(8,580)</b>	<b>300,000</b>	<b>26,672</b>	<b>331,592</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,329)</b>	<b>(70,360)</b>	<b>197,926</b>	<b>31,450</b>	<b>151,687</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>182,158</b>	<b>126,624</b>	<b>583,276</b>	<b>212,259</b>	<b>1,104,317</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 174,829</b>	<b>\$ 56,264</b>	<b>\$ 781,202</b>	<b>\$ 243,709</b>	<b>\$ 1,256,004</b>

The accompanying notes are an integral part of these financial statements.

# CITY OF CARSON CITY

## Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds \$ 151,687

Amounts reported for *governmental activities* in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Add - capital outlay	299,621
Deduct - depreciation expense	(40,064)

Special assessments receivable are long-term in nature and are collectable over several  
years. However the current receipts are reflected as revenues on the fund statements.

Deduct - special assessment receipts	(9,523)
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Bond proceeds provide current financial resources to governmental funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the governmental funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	5,347
Deduct - Note proceeds received	(300,000)

Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Add - changes in compensated absences	19,481
Add - accrued interest	26

An internal service fund is used by management to charge the costs of certain services  
to individual governmental funds. The net revenue (expense) of the fund  
is reported with governmental activities.

Add - income from governmental activities in internal service fund	17,334
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Change in net assets of governmental activities	<u>\$ 143,909</u>
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The accompanying notes are an integral part of these financial statements.



**CITY OF CARSON CITY**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNT</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Taxes and special assessments	\$ 304,500	\$ 285,319	\$ 301,698	\$ 16,379
State shared revenues	160,745	154,852	182,464	27,612
Fees and service charges	45,950	48,593	50,992	2,399
Contributions	6,000	42,922	44,022	1,100
Interest	7,500	5,700	5,428	(272)
Miscellaneous	6,800	867	6,472	5,605
<b>TOTAL REVENUES</b>	<b>531,495</b>	<b>538,253</b>	<b>591,076</b>	<b>52,823</b>
<b>EXPENDITURES</b>				
Current:				
General government	222,820	197,169	198,998	(1,829)
Public safety	153,380	206,972	207,320	(348)
Public works	138,522	146,988	158,991	(12,003)
Recreation and cultural	38,795	38,080	45,861	(7,781)
Other	8,050	735	735	-
<b>TOTAL EXPENDITURES</b>	<b>561,567</b>	<b>589,944</b>	<b>611,905</b>	<b>(21,961)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(30,072)</b>	<b>(51,691)</b>	<b>(20,829)</b>	<b>30,862</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	25,050	25,000	(50)
Transfers (out)	(15,000)	(20,000)	(11,500)	8,500
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,000</b>	<b>5,050</b>	<b>13,500</b>	<b>8,450</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(20,072)</b>	<b>(46,641)</b>	<b>(7,329)</b>	<b>39,312</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>182,158</b>	<b>182,158</b>	<b>182,158</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 162,086</b>	<b>\$ 135,517</b>	<b>\$ 174,829</b>	<b>\$ 39,312</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**MAJOR STREET FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
State shared revenue	\$ 46,000	\$ 75,000	\$ 74,762	\$ (238)
Trunkline maintenance	100	-	-	-
Interest	3,000	1,500	1,424	(76)
<b>TOTAL REVENUES</b>	<b>49,100</b>	<b>76,500</b>	<b>76,186</b>	<b>(314)</b>
EXPENDITURES				
Public works				
Current:				
Routine maintenance	6,827	4,065	4,449	(384)
Winter maintenance	4,367	3,508	3,508	-
Maintenance of state trunkline	13,230	500	902	(402)
Capital outlay:				
Construction	13,062	129,735	129,107	628
<b>TOTAL EXPENDITURES</b>	<b>37,486</b>	<b>137,808</b>	<b>137,966</b>	<b>(158)</b>
REVENUES OVER (UNDER) EXPENDITURES	11,614	(61,308)	(61,780)	(472)
OTHER FINANCING USES				
Transfers out	(11,250)	(8,580)	(8,580)	-
NET CHANGE IN FUND BALANCES	364	(69,888)	(70,360)	(472)
FUND BALANCES, BEGINNING OF YEAR	126,624	126,624	126,624	-
FUND BALANCES, END OF YEAR	\$ 126,988	\$ 56,736	\$ 56,264	\$ (472)

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	BUDGET AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNT	POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$ 68,000	\$ 74,544	\$ 79,874	\$ 5,330
State shared revenues	8,000	9,000	9,408	408
Fees and service charges - penal fines	85,000	82,114	82,211	97
State grants	-	-	3,417	3,417
Contributions	-	2,138	2,733	595
Interest	16,000	7,800	7,394	(406)
Miscellaneous	6,500	-	-	-
<b>TOTAL REVENUES</b>	<b>183,500</b>	<b>175,596</b>	<b>185,037</b>	<b>9,441</b>
<b>EXPENDITURES</b>				
Culture and recreation				
Current:				
Salaries and wages	84,000	86,044	85,427	617
Supplies	8,000	7,300	7,047	253
Transportation	2,000	750	725	25
Memberships and dues	4,000	3,154	3,154	-
Professional services	3,500	7,940	14,188	(6,248)
Repairs and maintenance	24,000	17,710	17,835	(125)
Utilities	6,000	5,600	5,772	(172)
Insurance and bonds	2,000	2,120	2,130	(10)
Miscellaneous	3,000	650	1,372	(722)
Capital outlay	47,000	145,863	149,461	(3,598)
<b>TOTAL EXPENDITURES</b>	<b>183,500</b>	<b>277,131</b>	<b>287,111</b>	<b>(9,980)</b>
<b>REVENUES UNDER EXPENDITURES</b>	<b>-</b>	<b>(101,535)</b>	<b>(102,074)</b>	<b>(539)</b>
<b>OTHER FINANCING SOURCES</b>				
Note proceeds	-	-	300,000	300,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(101,535)</b>	<b>197,926</b>	<b>299,461</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>583,276</b>	<b>583,276</b>	<b>583,276</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 583,276</b>	<b>\$ 481,741</b>	<b>\$ 781,202</b>	<b>\$ 299,461</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES</u>		<u>ENTERPRISE</u>	<u>GOVERNMENTAL</u>
	<u>SEWER</u>	<u>WATER</u>	<u>FUNDS</u>	<u>ACTIVITIES</u>
				<u>INTERNAL</u>
			<u>TOTAL</u>	<u>SERVICE</u>
				<u>FUND</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 256,545	\$ 139,080	\$ 395,625	\$ 93,562
Investments	447,120	246,093	693,213	176,857
Accounts receivable	25,987	29,287	55,274	-
<b>TOTAL CURRENT ASSETS</b>	<b>729,652</b>	<b>414,460</b>	<b>1,144,112</b>	<b>270,419</b>
<b>CAPITAL ASSETS</b>				
Land	14,475	-	14,475	3,996
Buildings	-	80,576	80,576	58,875
Transmission mains and equipment	2,336,690	2,301,580	4,638,270	412,491
	2,351,165	2,382,156	4,733,321	475,362
Less: Accumulated depreciation	(694,561)	(409,018)	(1,103,579)	(396,651)
<b>NET CAPITAL ASSETS</b>	<b>1,656,604</b>	<b>1,973,138</b>	<b>3,629,742</b>	<b>78,711</b>
<b><u>TOTAL ASSETS</u></b>	<b>2,386,256</b>	<b>2,387,598</b>	<b>4,773,854</b>	<b>349,130</b>
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	6,255	9,103	15,358	18,363
<b>OTHER LIABILITIES</b>				
Compensated absences	10,338	10,335	20,673	-
Customer deposits	1,119	1,002	2,121	-
<b>TOTAL OTHER LIABILITIES</b>	<b>11,457</b>	<b>11,337</b>	<b>22,794</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>17,712</b>	<b>20,440</b>	<b>38,152</b>	<b>18,363</b>
<b>NET ASSETS</b>				
Investment in capital assets net of related debt	1,656,604	1,973,138	3,629,742	78,711
Unrestricted	711,940	394,020	1,105,960	252,056
<b><u>TOTAL NET ASSETS</u></b>	<b>\$ 2,368,544</b>	<b>\$ 2,367,158</b>	<b>\$ 4,735,702</b>	<b>\$ 330,767</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES</u>
	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
OPERATING REVENUES				
Charges for services	\$ 304,126	\$ 307,762	\$ 611,888	\$ 77,984
<b>TOTAL OPERATING REVENUES</b>	<b>304,126</b>	<b>307,762</b>	<b>611,888</b>	<b>77,984</b>
OPERATING EXPENSES				
Salaries and wages	81,686	78,795	160,481	13,397
Office supplies and postage	384	400	784	-
Operating supplies	20,281	11,513	31,794	6,396
Professional services	8,564	43,229	51,793	1,855
Insurance and bonds	14,492	14,492	28,984	-
Public utilities	13,877	21,296	35,173	-
Equipment rentals	19,376	8,728	28,104	527
Repair and maintenance	555	7,223	7,778	12,933
Repair and maintenance supplies	-	18,874	18,874	-
Depreciation	42,450	42,031	84,481	29,131
Miscellaneous	2,259	3,091	5,350	-
<b>TOTAL OPERATING EXPENSES</b>	<b>203,924</b>	<b>249,672</b>	<b>453,596</b>	<b>64,239</b>
OPERATING INCOME	100,202	58,090	158,292	13,745
NON-OPERATING REVENUES				
Interest income	10,133	4,295	14,428	3,589
INCOME BEFORE TRANSFERS	110,335	62,385	172,720	17,334
TRANSFERS				
Transfers (out)	(18,296)	(13,296)	(31,592)	-
CHANGE IN NET ASSETS	92,039	49,089	141,128	17,334
NET ASSETS, BEGINNING OF YEAR	2,276,505	2,318,069	4,594,574	313,433
NET ASSETS, END OF YEAR	\$ 2,368,544	\$ 2,367,158	\$ 4,735,702	\$ 330,767

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND</u>
	SEWER	WATER	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interfund services provided	\$ -	\$ -	\$ -	\$ 77,984
Receipts from customers and users	305,886	307,461	613,347	-
Payments to employees	(74,644)	(71,756)	(146,400)	(11,842)
Payments to suppliers	(74,186)	(119,183)	(193,369)	(4,286)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>157,056</b>	<b>116,522</b>	<b>273,578</b>	<b>61,856</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers out	(18,296)	(13,296)	(31,592)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisitions of capital assets	-	(48,458)	(48,458)	(31,008)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(33,473)	(31,830)	(65,303)	860
Interest income	10,133	4,295	14,428	3,589
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(23,340)</b>	<b>(27,535)</b>	<b>(50,875)</b>	<b>4,449</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>115,420</b>	<b>27,233</b>	<b>142,653</b>	<b>35,297</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>141,125</b>	<b>111,847</b>	<b>252,972</b>	<b>58,265</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 256,545</b>	<b>\$ 139,080</b>	<b>\$ 395,625</b>	<b>\$ 93,562</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 100,202	\$ 58,090	\$ 158,292	\$ 13,745
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	42,450	42,031	84,481	29,131
Change in operating assets and liabilities: which provided (used) cash:				
Accounts receivable	1,302	(771)	531	-
Other accrued liabilities	5,602	9,663	15,265	18,363
Prepaid items	-	-	-	617
Compensated absences	7,042	7,039	14,081	-
Customer deposits	458	470	928	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 157,056</b>	<b>\$ 116,522</b>	<b>\$ 273,578</b>	<b>\$ 61,856</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**FIDUCIARY FUNDS**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

<u>ASSETS</u>	EMPLOYEES RETIREMENT SYSTEM	AGENCY FUND
Cash and cash equivalents	\$ 15,306	\$ 7,256
Investments		
US government securities funds	71,205	-
Bonds funds	118,816	-
Mutual funds	253,447	-
Other	37,035	-
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	495,809	\$ 7,256
	<hr/>	<hr/>
<u>LIABILITIES</u>		
Accounts payable	-	20
Due to other funds	-	15,065
Due to other governments	-	(7,829)
	<hr/>	<hr/>
TOTAL LIABILITIES	-	\$ 7,256
	<hr/>	<hr/>
NET ASSETS		
Held in trust for pension benefits	495,809	
	<hr/>	
TOTAL NET ASSETS	\$ 495,809	
	<hr/>	

The accompanying notes are an integral part of these financial statements.

**CITY OF CARSON CITY**

**STATEMENT OF CHANGES IN NET ASSETS  
EMPLOYEES RETIREMENT SYSTEM**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>EMPLOYEES RETIREMENT SYSTEM</u>
ADDITIONS	
Contributions:	
Employer	\$ 26,840
Investment income	<u>53,043</u>
 TOTAL ADDITIONS	 79,883
 DEDUCTION	
Distributions, expenses and benefit payments	<u>103,205</u>
 Net increase (decrease)	 (23,322)
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>519,131</u>
 End of year	 <u>\$ 495,809</u>

The accompanying notes are an integral part of these financial statements.



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Carson City, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

***Reporting Entity***

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Carson City. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the City.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Fund Accounting***

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major governmental funds:

***Governmental Funds***

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the revenues received from the State of Michigan under Act 51 which are specifically earmarked for construction and maintenance of roads designated as major streets in the City.

The *Library Fund* accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and penal fines.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. The City maintains one Debt Service Fund which is the Parking Fund.

The *Internal Service Funds* are used to record the financing of goods or services by the City to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund which is the Motor Pool Fund.

The *Trust and Agency Funds* are used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. These include a pension trust and an agency fund.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Accounting***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the County pays the City, and is responsible for collecting, any outstanding taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

All Proprietary Funds and the Pension Trust Fund are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All Proprietary Funds and the Pension Trust Fund are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Budgets and Budgetary Accounting***

Comparisons to budget are presented for General and Special Revenue Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed during the year ended June 30, 2004. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the year ended June 30, 2004. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted, or as amended, by the City Council.

***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

***Investments***

Investments are stated at fair value.

***Due to and Due from Other Funds***

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added in 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	5-50
Machinery	3-15
Vehicles	5
System Infrastructure	50

***Deferred Revenue***

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

Special assessment (Debt Service Fund)	\$ 9,248
Parks contribution (General Fund)	<u>240,581</u>
	<u><b>\$249,829</b></u>

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes. Real property taxes not collected as of March 1 are turned over to Montcalm County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Comptroller.

Property taxes levied in July of each year are recognized as revenue in that year.

***Grants and Other Intergovernmental Revenues***

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

***Interfund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

***Compensated Absences***

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Accumulated vacation time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net assets of the individual enterprise funds.

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Pension Trust***

The Pension Trust Fund balance sheet and operations are presented as of and for the year ended April 30, 2004, the plan year.

***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**2. DEFICIT FUND EQUITY**

At June 30, 2004 the City had a deficit fund balance in the Debt Service Fund of \$4,729. Management plans to eliminate the deficit through recognition of future revenues. The deficit elimination plan had not been filed with the State of Michigan as of our report date.

**3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level.

During the year ended June 30, 2004, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>General Fund</b>			
General Government			
City Council	\$ 64,319	\$ 65,456	\$ (1,137)
Assessor	12,097	12,412	(315)
Comptroller	85,053	85,467	(414)
Fire Department	53,857	54,306	(449)
Public Works	146,988	158,991	(12,003)
Recreation and Cultural	38,080	45,861	(7,781)



**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
<b>Special Revenue</b>			
Major Street Fund			
Routine Maintenance	\$ 4,065	\$ 4,449	\$ (384)
Maintenance of state trunkline	500	902	(402)
Library			
Culture and Recreation	277,131	287,111	(9,980)

**4. DEPOSITS AND INVESTMENTS**

The captions on the combined balance sheet relating to cash, cash equivalents and investments and the amounts in the Total (Memorandum Only) column are as follows:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds Employees Retirement System</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 998,774	\$ 395,625	\$ 15,306	\$7,256	\$1,416,961
Investments	727,526	693,213	480,503	-	1,901,242
	<u>\$1,726,300</u>	<u>\$1,088,838</u>	<u>\$495,809</u>	<u>\$7,256</u>	<u>\$3,318,203</u>

	<u>Bank Balance</u>
The bank balances of the City's deposits were classified as to risk as follows:	
Insured (FDIC)	\$ 200,000
Uninsured, uncollateralized	3,948,902
<b>Total</b>	<u><b>\$4,148,902</b></u>

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. They are recorded in City records at fair value. Interest is recorded when earned.

***Investments***

State statutes authorize the City to invest in the following:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**4. DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments (Continued)*

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

<i>Investments</i>	<u>Fair Value/ Carrying Amount</u>
Uncategorized as to risk:	
Money Market	111,544
Bonds	118,816
Mutual Funds	253,447
Governmental Securities	71,205
CSV Life Insurance	37,035
	<u>\$592,047</u>

The categories of risk disclosure are as follows:

- (1) Insured or Registered, or Securities held by the City or the City's agent in the City's name.
- (2) Uninsured and Unregistered, with Securities held by the Counterparty's Trust Department or its agent in the City's name.
- (3) Uninsured and Unregistered, with Securities held by the Counterparty, or the Counterparty's Trust Department or Agent but not in the City's name.

*Statutory Authority*

Pension Trust Fund investments are subject to a number of restrictions as to type, quality and concentration of investments made, including the limiting of equity investments.

The City's investments are in accordance with statutory authority.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 108,996	\$ 50,000	\$ -	\$ 158,996
Construction in progress	<u>-</u>	<u>53,460</u>	<u>-</u>	<u>53,460</u>
Total capital assets, not being depreciated	<u>108,996</u>	<u>103,460</u>	<u>-</u>	<u>212,456</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	799,024	-	-	799,024
Furniture and equipment	465,436	32,488	-	497,924
Motor pool equipment	381,483	31,008	-	412,491
Motor vehicles	410,302	20,605	-	430,907
Infrastructure	<u>-</u>	<u>143,068</u>	<u>-</u>	<u>143,068</u>
Total capital assets, being depreciated	<u>2,056,245</u>	<u>227,169</u>	<u>-</u>	<u>2,283,414</u>
Less accumulated depreciation for:				
Buildings and improvements	579,720	8,032	-	587,752
Furniture and equipment	334,214	17,675	-	351,889
Motor pool equipment	308,645	29,131	-	337,776
Motor vehicles	267,426	12,926	-	280,351
Infrastructure	<u>-</u>	<u>1,431</u>	<u>-</u>	<u>1,431</u>
Total accumulated depreciation	<u>1,490,005</u>	<u>69,195</u>	<u>-</u>	<u>1,559,200</u>
Net capital assets, being depreciated	<u>566,240</u>	<u>157,975</u>	<u>-</u>	<u>724,214</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 675,236</b></u>	<u><b>\$261,434</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 936,670</b></u>

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**5. CAPITAL ASSETS (CONTINUED)**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Business-type Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 14,475	\$ -	\$ -	\$ 14,475
Capital assets, being depreciated:				
Buildings and improvements	32,118	48,458	-	80,576
Mains and equipment	4,638,270	-	-	4,638,270
Total capital assets, being depreciated	4,670,388	48,458	-	4,718,846
Less accumulated depreciation for:				
Buildings and improvements	12,573	978	-	13,551
Mains and equipment	1,006,525	83,503	-	1,090,028
Total accumulated depreciation	1,019,098	84,481	-	1,103,579
Net capital assets, being depreciated	3,651,290	(36,023)	-	3,615,267
<b>Business-type activities capital assets, net</b>	<u>\$3,665,745</u>	<u>\$(36,023)</u>	<u>\$ -</u>	<u>\$3,629,742</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 7,820
Public works	5,079
Parks and recreation	12,759
Public safety	14,406
	<u>40,064</u>
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	<u>29,131</u>
Total depreciation expense – governmental activities	<u>\$69,195</u>
<b>Business-type activities:</b>	
Sewer	\$42,450
Water	42,031
Total depreciation expense – business-type activities	<u>\$84,481</u>

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**6. INTERFUND TRANSACTIONS**

Transfers in and out for the year ended June 30, 2004 are as follows:

	Transfers In by Fund			Total
	General Fund	Special Revenue Funds	Non-Major Funds	
General Fund	\$ -	\$ -	\$11,500	\$11,500
Special Revenue	-	-	8,580	8,580
Sewer	15,000	3,296	-	18,296
Water	10,000	3,296	-	13,296
	<u>\$25,000</u>	<u>\$6,592</u>	<u>\$20,080</u>	<u>\$51,672</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

**7. DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The City contributes to the City of Carson City Pension Plan, a single employer contributory defined benefit pension plan. All full-time employees over the age of 21 are eligible to participate in the System.

Membership of the Plan consists of one terminated participant not yet receiving benefits and nine active plan members at the date of the latest actuarial valuation (May 1, 2002).

***Basis of Accounting***

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

***Method Used to Value Investments***

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Benefits Provided***

Employees who retire at age 65 (normal retirement) with 3 or more years of service or at age 55 with 10 or more years of service are entitled to retirement benefits payable monthly. Normal retirement benefits are equal to 1% per year of service times the highest 5 year average salary over the 10 years prior to retirement. Benefits vest 20% per year after three years (100% after seven years). The accrued retirement benefit is actuarially reduced for each year by which early retirement precedes normal retirement. The Plan also provides for death benefits.

***Contributions***

The City has responsibility for making actuarially determined contributions to the Plan. Employees are not required to contribute to the Plan.

The funding objective of the Plan is to establish and receive contributions, expressed as a percentage of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens. The contribution rate for normal cost is determined using an "individual spread gain" actuarial cost method and, further, follows the "level contribution method" as required by Michigan law. The actuarial assumptions are the same as used to compute the standardized measure of the Net Pension Obligation. The plan provisions and contribution requirements of plan members and the City are established and may be amended by City Council. The City is required to contribute at an actuarially determined rate; the current rate is 10.0% of annual covered payroll.

***Annual Pension Cost and Net Pension Obligation***

The City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution (equal to annual pension cost)	\$26,840
Contributions made	<u>(26,840)</u>
Increase (decrease) in net pension obligation	-
Net pension obligation beginning of year	<u>-</u>
<b>Net pension obligation end of year</b>	<b><u>\$ -</u></b>

The annual required contribution for the current year was determined as part of the May 1, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7% pre-retirement and 5% post retirement investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4% per year. Both (a) and (b) included an inflation component of 0%.

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**7. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$27,416	100%	\$ -
6/30/03	23,704	100%	-
6/30/04	26,840	100%	-

A separate financial report of the Plan has not been issued.

**8. LONG-TERM DEBT**

The following is a summary of the debt transactions of the City for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
\$56,000, Commercial promissory note to Independent Bank. Payments due in annual installments of \$7,960 through April 7, 2005; interest at 7.25%	\$12,964	\$ -	\$ (5,347)	\$ 7,617	\$ 7,617
\$300,000, note to ACI Finance, Series 2000. Payments due in annual installments of \$17,000 to \$33,000 through May 1, 2016; interest at 4.68%	-	300,000	-	300,000	17,000
<b>Total governmental activities</b>	<b>12,964</b>	<b>300,000</b>	<b>(5,347)</b>	<b>307,617</b>	<b>24,617</b>
<b>Accrued employee benefits</b>	<b>62,850</b>	<b>-</b>	<b>(19,481)</b>	<b>43,369</b>	<b>10,842</b>
<b>Total governmental activities</b>	<b>\$75,814</b>	<b>\$300,000</b>	<b>\$(24,828)</b>	<b>\$350,986</b>	<b>\$35,459</b>

**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**8. LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2004 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 24,617	\$13,101
2006	19,000	13,244
2007	21,000	12,355
2008	22,000	11,372
2009	23,000	10,343
2010-2014	133,000	34,585
2015-2016	65,000	4,586
<b>Total</b>	<b>\$307,617</b>	<b>\$99,586</b>

**9. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables of individual funds at June 30, 2004, were:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$23,987	\$ -
Special Revenue Funds:		
Local Street Fund	-	53
Debt Service Fund:		
Parking Fund	-	8,869
Trust and Agency Fund:		
Imprest Payroll	-	15,065
<b>Totals</b>	<b>\$23,987</b>	<b>\$23,987</b>

Interfund balances primarily reflect loans made from funds with cash and cash equivalents to those funds requiring temporary cash flow needs.

**10. RESTATEMENTS**

As of and for the year ended June 30, 2004, the City implemented the following Governmental Accounting Standards Board pronouncements:

*Statements*

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*



**CITY OF CARSON CITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**10. RESTATEMENTS (CONTINUED)**

*Interpretation*

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

The above pronouncements are all related to the new financial reporting requirements for state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City is required to implement the new requirements no later than the fiscal year ending June 30, 2004

The more significant of the changes required by the new standards include:

- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Budgetary statement and schedules
  - Notes to the basic financial statements

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004 the following restatements were made to beginning net asset accounts.

*Government-wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balances of governmental funds as of June 30, 2003	\$1,104,317
Add: Governmental capital assets, including general fixed assets as of June 30, 2003	1,720,887
Deduct: Accumulated depreciation as of June 30, 2003 on above governmental capital assets	(1,122,485)
Add: Net assets of governmental activities accounted for in internal service funds	313,433
Deduct: Bonds payable as of June 30, 2003	(12,964)
Deduct: Compensated absences payable as of June 30, 2003	(62,850)
Deduct: Accrued interest on bonds as of June 30, 2003	(270)
Add: Special assessment receivables offset with deferred revenue on the fund statements	<u>18,771</u>
<b>Governmental net assets, restated, as of July 1, 2003</b>	<b><u>\$1,958,839</u></b>

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**CITY OF CARSON CITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll (b)-(a)</u>
5/1/94	\$280,896	\$284,896	\$ 4,000	98.5%	\$277,398	1.4%
5/1/95	296,274	215,347	(80,927)	137.6	222,759	(36.3)
5/1/96	304,041	235,779	(68,262)	129.0	214,870	(31.8)
5/1/97	358,147	262,754	(95,393)	136.3	237,511	(40.2)
5/1/98	448,622	292,918	(155,704)	153.2	240,222	(64.8)
5/1/99	561,309	440,021	(121,288)	127.6	220,810	(54.9)
5/1/00	594,942	496,426	(98,516)	122.4	256,773	(38.4)
5/1/02	492,776	415,483	(67,293)	118.6	262,085	(25.7)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended April 30</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percent Contributed</u>
1994	\$13,767	\$13,767	100%
1995	26,163	26,163	100
1996	22,443	22,443	100
1997	24,106	24,106	100
1998	23,753	23,753	100
1999	23,270	23,270	100
2000	28,330	28,330	100
2001	25,279	25,279	100
2002	27,416	27,416	100
2003	23,704	23,704	100
2004	26,840	26,840	100

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**CITY OF CARSON CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2004**

	SPECIAL REVENUE			
	LOCAL STREET	ABSENCES	DEBT SERVICE	TOTAL
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 84,450	\$ 27,947	\$ 4,140	\$ 116,537
Investments	133,760	-	-	133,760
Assessment receivable	-	-	9,248	9,248
Due from other governments	2,586	-	-	2,586
<b><u>TOTAL ASSETS</u></b>	<b>\$ 220,796</b>	<b>\$ 27,947</b>	<b>\$ 13,388</b>	<b>\$ 262,131</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 252	\$ -	\$ -	\$ 252
Due to other funds	53	-	8,869	8,922
Deferred revenue	-	-	9,248	9,248
<b>TOTAL LIABILITIES</b>	<b>305</b>	<b>-</b>	<b>18,117</b>	<b>18,422</b>
<b>FUND EQUITY</b>				
Fund balances:				
Unreserved:				
Undesignated (deficit)	220,491	27,947	(4,729)	243,709
<b>TOTAL FUND EQUITY (DEFICIT)</b>	<b>220,491</b>	<b>27,947</b>	<b>(4,729)</b>	<b>243,709</b>
<b><u>TOTAL LIABILITIES AND FUND EQUITY</u></b>	<b>\$ 220,796</b>	<b>\$ 27,947</b>	<b>\$ 13,388</b>	<b>\$ 262,131</b>

**CITY OF CARSON CITY**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>	<u>TOTAL</u>
	<u>LOCAL STREET</u>	<u>COMPENSATED ABSENCES</u>		
<b>REVENUES</b>				
Taxes and special assessments	\$ -	\$ -	\$ 9,523	\$ 9,523
State shared revenues	29,038	-	-	29,038
Interest	3,183	62	7	3,252
<b>TOTAL REVENUES</b>	<b>32,221</b>	<b>62</b>	<b>9,530</b>	<b>41,813</b>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	8,065	-	-	8,065
Recreation and cultural	-	-	-	-
Downtown development	-	-	-	-
Other	-	-	-	-
Capital Outlay	23,000	-	-	23,000
Debt Service:				
Principal	-	-	5,347	5,347
Interest	-	-	623	623
<b>TOTAL EXPENDITURES</b>	<b>31,065</b>	<b>-</b>	<b>5,970</b>	<b>37,035</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,156</b>	<b>62</b>	<b>3,560</b>	<b>4,778</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,080	6,592	-	26,672
<b>NET CHANGE IN FUND BALANCES</b>	<b>21,236</b>	<b>6,654</b>	<b>3,560</b>	<b>31,450</b>
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<b>199,255</b>	<b>21,293</b>	<b>(8,289)</b>	<b>212,259</b>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<b>\$ 220,491</b>	<b>\$ 27,947</b>	<b>\$ (4,729)</b>	<b>\$ 243,709</b>

**CITY OF CARSON CITY**  
**LOCAL STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
State shared revenue	\$ 18,000	\$ 28,860	\$ 29,038	\$ 178
Interest	3,000	3,200	3,183	(17)
TOTAL REVENUES	21,000	32,060	32,221	161
EXPENDITURES				
Public works				
Current:				
Routine maintenance	7,095	4,845	4,655	190
Winter maintenance	3,410	3,410	3,410	-
Capital Outlay:				
Construction	21,898	23,330	23,000	330
TOTAL EXPENDITURES	32,403	31,585	31,065	520
REVENUES OVER (UNDER) EXPENDITURES	(11,403)	475	1,156	681
OTHER FINANCNG SOURCES				
Transfers in	11,250	20,080	20,080	-
NET CHANGE IN FUND BALANCES	(153)	20,555	21,236	681
FUND BALANCE, BEGINNING OF YEAR	199,255	199,255	199,255	-
FUND BALANCE, END OF YEAR	\$ 199,102	\$ 219,810	\$ 220,491	\$ 681

**CITY OF CARSON CITY**

**COMPENSATED ABSENCES FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
REVENUES				
Interest	\$ -	\$ 65	\$ 62	\$ (3)
EXPENDITURES				
General government	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	65	62	(3)
OTHER FINANCNG SOURCES				
Transfers in	10,000	10,000	6,592	(3,408)
NET CHANGE IN FUND BALANCES	10,000	10,065	6,654	(3,411)
FUND BALANCE, BEGINNING OF YEAR	21,293	21,293	21,293	-
FUND BALANCE, END OF YEAR	\$ 31,293	\$ 31,358	\$ 27,947	\$ (3,411)

**GENERAL FUND**



**CITY OF CARSON CITY**

**GENERAL FUND  
SCHEDULE OF REVENUES COMPARED TO BUDGET**

**FOR THE YEAR ENDED JUNE 30, 2004**

	BUDGET AMOUNTS		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes:				
Current property taxes	\$ 304,500	\$ 285,319	\$ 301,698	\$ 16,379
State revenues:				
State shared revenues	160,745	154,852	182,464	27,612
Fees and service charges:				
Fire contracts	18,000	17,736	17,736	-
Rent	20,900	20,202	22,959	2,757
Licenses and permits	2,050	655	654	(1)
Court costs	5,000	10,000	9,643	(357)
	45,950	48,593	50,992	2,399
Contributions:				
Contributions from county and township for purchase of fire truck and ambulance	6,000	13,240	14,340	1,100
Contributions from Fort Frontier for city parks	-	29,682	29,682	-
	6,000	42,922	44,022	1,100
Interest	7,500	5,700	5,428	(272)
Miscellaneous	6,800	867	6,472	5,605
	14,300	6,567	11,900	5,333
TOTAL REVENUES	\$ 531,495	\$ 538,253	\$ 591,076	\$ 52,823

## CITY OF CARSON CITY

GENERAL FUND  
SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET

FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET AMOUNTS		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
GENERAL GOVERNMENT				
CITY COUNCIL				
Salaries and wages	\$ 10,403	\$ 11,340	\$ 11,298	\$ 42
Professional services	10,000	4,000	5,257	(1,257)
Audit	8,700	8,450	8,450	-
Insurance and bonds	21,446	29,181	29,181	-
Memberships and dues	6,600	6,537	6,537	-
Contributions - other	4,750	1,200	1,317	(117)
Education	300	261	264	(3)
Miscellaneous	21,957	3,350	3,152	198
	84,156	64,319	65,456	(1,137)
CITY ADMINISTRATOR				
Salaries and wages	31,600	31,785	31,895	(110)
Professional services	500	200	190	10
Office supplies	500	500	450	50
Memberships and dues	150	60	60	-
Equipment	1,000	570	565	5
Miscellaneous	1,950	1,270	1,188	82
	35,700	34,385	34,348	37
ELECTION COMMISSION				
Salaries and wages	420	375	375	-
Professional services	200	159	159	-
Operating supplies	300	382	382	-
Printing and publishing	2,350	399	399	-
	3,270	1,315	1,315	-
ASSESSOR				
Salaries and wages	9,148	9,808	9,808	-
Printing and publishing	1,100	105	105	-
Professional services	3,000	-	-	-
Repairs and maintenance	-	-	315	(315)
Miscellaneous	750	2,184	2,184	-
	13,998	12,097	12,412	(315)
COMPTROLLER				
Salaries and wages	64,671	63,978	63,772	206
Office supplies	2,300	2,000	1,725	275
Operating supplies	500	350	349	1
Communications	4,500	4,500	4,584	(84)
Printing and publishing	1,000	2,600	2,636	(36)
Memberships and dues	175	161	161	-
Pulic utilities	6,000	6,000	6,387	(387)
Miscellaneous	2,000	2,920	3,033	(113)
Professional services	1,500	1,832	2,090	(258)
Equipment	2,500	600	600	-
	550	112	130	(18)
	85,696	85,053	85,467	(414)
TOTAL GENERAL GOVERNMENT	222,820	197,169	198,998	(1,829)

(Continued)

## CITY OF CARSON CITY

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET**  
**(CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNT</u>	<u>POSITIVE</u> <u>(NEGATIVE)</u>
<b>PUBLIC SAFETY</b>				
<b>POLICE DEPARTMENT</b>				
Salaries and wages	\$ 99,480	\$ 107,755	\$ 107,879	\$ (124)
Office supplies	600	750	813	(63)
Operating supplies	750	1,200	1,133	67
Uniforms	950	800	732	68
Professional services	4,200	9,680	10,188	(508)
Repairs and maintenance	1,800	2,250	1,606	644
Gas and oil	1,800	2,500	2,602	(102)
Equipment	6,000	23,000	22,641	359
Communications	1,700	2,950	3,055	(105)
Miscellaneous	1,000	2,230	2,365	(135)
	<u>118,280</u>	<u>153,115</u>	<u>153,014</u>	<u>101</u>
<b>FIRE DEPARTMENT</b>				
Salaries and wages	14,595	16,265	16,339	(74)
Operating supplies	2,055	3,055	3,028	27
Communications	1,700	950	876	74
Gas and oil	450	550	574	(24)
Insurance and bonds	200	-	-	-
Utilities	1,500	1,500	1,500	-
Repairs and maintenance	3,000	2,000	3,388	(1,388)
Building rent	2,000	2,000	2,000	-
Equipment	8,000	24,920	23,748	1,172
Miscellaneous	1,600	2,617	2,853	(236)
	<u>35,100</u>	<u>53,857</u>	<u>54,306</u>	<u>(449)</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>153,380</u>	<u>206,972</u>	<u>207,320</u>	<u>(348)</u>
<b>PUBLIC WORKS</b>				
<b>DEPARTMENT OF PUBLIC WORKS</b>				
Salaries and wages	74,572	74,572	72,644	1,928
Operating supplies	5,000	3,500	8,099	(4,599)
Communications	2,000	1,600	1,487	113
Professional services	7,500	10,500	11,750	(1,250)
Utilities	21,000	22,620	23,950	(1,330)
Repairs and maintenance	4,000	1,201	5,085	(3,884)
Equipment rentals	19,500	32,000	35,003	(3,003)
Miscellaneous	4,950	995	973	22
	<u>138,522</u>	<u>146,988</u>	<u>158,991</u>	<u>(12,003)</u>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<u>138,522</u>	<u>146,988</u>	<u>158,991</u>	<u>(12,003)</u>
<b>RECREATION AND CULTURAL</b>				
<b>PARKS</b>				
Contracted services	15,795	24,550	27,197	(2,647)
Repairs and maintenance	23,000	13,530	18,664	(5,134)
	<u>38,795</u>	<u>38,080</u>	<u>45,861</u>	<u>(7,781)</u>
<b>TOTAL RECREATION AND CULTURAL</b>	<u>38,795</u>	<u>38,080</u>	<u>45,861</u>	<u>(7,781)</u>

(Continued)

**CITY OF CARSON CITY**

**GENERAL FUND  
SCHEDULE OF EXPENDITURES BY ACTIVITY - COMPARED TO BUDGET  
(CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNT</u>	<u>POSITIVE (NEGATIVE)</u>
OTHER				
MASTER PLAN DEPARTMENT				
Professional service	\$ 6,000	\$ -	\$ -	-
RENTAL HOUSING				
Professional service	2,050	735	735	-
TOTAL OTHER	8,050	735	735	-
TOTAL EXPENDITURES	\$ 561,567	\$ 589,944	\$ 611,905	\$ (21,961)

**SPECIAL REVENUE FUNDS**

**MAJOR STREET FUND**

**CITY OF CARSON CITY**  
**MAJOR STREET FUND**  
**SCHEDULE OF EXPENDITURES - BY ACTIVITY - COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2004**

EXPENDITURES	BUDGET AMOUNTS		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Construction				
Salaries and wages	\$ 3,440	\$ 650	\$ 376	\$ 274
Repairs, maintenance and resurfacing	200	-	-	-
Professional services	2,000	26,000	25,955	45
Supplies	5,422	103,000	102,693	307
Equipment rentals	2,000	85	83	2
	13,062	129,735	129,107	628
Routine maintenance				
Salaries and wages	1,127	1,190	1,566	(376)
Repairs, maintenance and resurfacing	2,000	1,700	1,601	99
Professional services	1,500	875	875	-
Insurance & bonds	200	-	-	-
Equipment rental	2,000	300	407	(107)
	6,827	4,065	4,449	(384)
Winter maintenance				
Salaries and wages	1,867	1,533	1,533	-
Repairs & Maintenance Supplies	1,000	234	234	-
Equipment rental	1,500	1,741	1,741	-
	4,367	3,508	3,508	-
Maintenance of state trunkline				
Surface maintenance	10,437	-	902	(902)
Sweeping and flushing	700	300	-	300
Trees and shrubs	182	-	-	-
Drainage and backslopes	390	200	-	200
Grass and weed control	471	-	-	-
Traffic signs	271	-	-	-
Winter maintenance	779	-	-	-
	13,230	500	902	(402)
<b>TOTAL MAJOR STREET EXPENDITURES</b>	<b>\$ 37,486</b>	<b>\$ 137,808</b>	<b>\$ 137,966</b>	<b>\$ (158)</b>

**LOCAL STREET FUND**



## CITY OF CARSON CITY

## LOCAL STREET FUND

## SCHEDULE OF EXPENDITURES - BY ACTIVITY - COMPARED TO BUDGET

FOR THE YEAR ENDED JUNE 30, 2004

EXPENDITURES	BUDGET AMOUNTS		ACTUAL AMOUNT	VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Construction				
Salaries and wages	\$ 3,020	\$ 1,430	\$ 1,349	\$ 81
Equipment rental	2,500	500	391	109
Operating supplies	12,898	16,400	16,335	65
Professional services	3,480	5,000	4,925	75
	21,898	23,330	23,000	330
Routine maintenance				
Salaries and wages	2,228	845	980	(135)
Repairs and maintenance supplies	3,217	2,800	2,590	210
Professional services	500	900	825	75
Insurance & bonds	150	-	-	-
Equipment rental	1,000	300	260	40
	7,095	4,845	4,655	190
Winter maintenance				
Salaries and wages	1,605	1,605	1,605	-
Repairs and maintenance supplies	234	234	234	-
Equipment rental	1,571	1,571	1,571	-
	3,410	3,410	3,410	-
TOTAL LOCAL STREET FUND EXPENDITURES	\$ 32,403	\$ 31,585	\$ 31,065	\$ 520

**FIDUCIARY FUNDS**

**CITY OF CARSON CITY**  
**ALL AGENCY FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2004**

		AGENCY FUNDS		
		IMPREST	TAX	
		PAYROLL	TRUST	
		FUND	FUND	TOTAL
<u>ASSETS</u>				
Cash		\$ 7,256	\$ -	\$ 7,256
	<u>TOTAL ASSETS</u>	<u>\$ 7,256</u>	<u>\$ -</u>	<u>\$ 7,256</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<b>LIABILITIES</b>				
Accounts payable		\$ 20	\$ -	\$ 20
Due to other funds		15,065	-	15,065
Due to other governments		(7,829)	-	(7,829)
	<u>TOTAL LIABILITIES</u>	<u>\$ 7,256</u>	<u>\$ -</u>	<u>\$ 7,256</u>

**CITY OF CARSON CITY**  
**AGENCY FUNDS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<b><u>IMPREST PAYROLL FUND</u></b>				
<b>ASSETS</b>				
Cash	\$ 20,112	\$ 324,269	\$ 337,125	\$ 7,256
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 46,213	\$ 46,193	\$ 20
Due to other funds	15,065	81	81	15,065
Due to other governments	5,047	277,975	290,851	(7,829)
	\$ 20,112	\$ 324,269	\$ 337,125	\$ 7,256
<b><u>TAX TRUST FUND</u></b>				
<b>ASSETS</b>				
Cash	\$ -	\$ 596,867	\$ 596,867	\$ -
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 5,698	\$ 5,698	\$ -
Due to other governmental units	-	591,169	591,169	-
	\$ -	\$ 596,867	\$ 596,867	\$ -
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash	\$ 20,112	\$ 921,136	\$ 933,992	\$ 7,256
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 46,213	\$ 46,193	\$ 20
Due to other funds	15,065	5,779	5,779	15,065
Due to other governmental units	5,047	869,144	882,020	(7,829)
	\$ 20,112	\$ 921,136	\$ 933,992	\$ 7,256

**COMPLIANCE AND INTERNAL CONTROL**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

August 13, 2004

Honorable Mayor and Members of the City Council  
City of Carson City, Michigan

We have audited the financial statements of the City of Carson City, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Compliance***

As part of obtaining reasonable assurance about whether the City of Carson City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Carson City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*



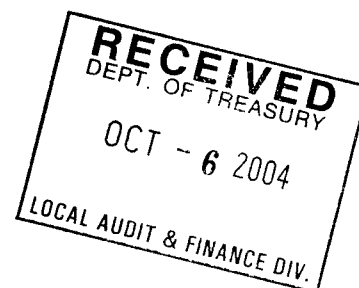
# REHMANN ROBSON

*Certified Public Accountants*

*A member of THE REHMANN GROUP*

An Independent Member of Baker Tilly International

August 13, 2004



Honorable Mayor and Members of the City Council  
City of Carson City  
Carson City, Michigan

In planning and performing our audit of the financial statements of the City of Carson City for the year ended June 30, 2004, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 13, 2004 on the financial statements of the City of Carson City.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, perform any additional study of these matters, or to assist management in implementing the recommendations.

Sincerely,

## **MEMORANDUM**

**TO:** City of Carson City Management and City Council  
**FROM:** Rehmann Robson  
**DATE:** August 13, 2004  
**REGARDING:** City operating activities

### **GENERAL LEDGER**

The performance of certain procedures required under Statement of Auditing Standards #99, ("SAS 99") concerning fraud risk identified numerous journal entries posted to the general ledger during fiscal year 2004. These entries were posted without indication of review or approval. This opens the possibility for inappropriate entries being made to the general ledger and creates opportunity for mistakes, or unauthorized transactions. We recommend that non-standard journal entries to the general ledger be documented and approved by appropriate levels of management.

### **AUTHORIZED SIGNERS ON BANK ACCOUNTS**

We noted during our audit that certain bank accounts held for the library fund have an individual other than the City Comptroller as the authorized signer on the account. Although the accounts are accounted for in the Library Fund, they are still considered funds of the City, and we recommend that the City Comptroller be added as an authorized signer on the accounts to coincide with all other bank accounts that are held in the City of Carson City's name.